

Message Text

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ACTION COME-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4385

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PASS COMMERCE FOR SECRETARY DENT

E. O. 11652: N/A

TAGS: BTRA, IN

SUBJECT: SECRETARY OF COMMERCE MEETING WITH GOI MINISTER
OF COMMERCE

REF: NEW DELHI 13413

1. WE UNDERSTAND THAT THE INDIAN EMBASSY HAS ARRANGED FOR A CALL ON SECRETARY DENT BY MINISTER OF COMMERCE CHATTOPADHYAYA. THE FOLLOWING BACKGROUND MAY BE HELPFUL TO SECRETARY DENT IN HIS CONVERSATION WITH THE MINISTER.

2. IN THE LAST FEW MONTHS THE GOI HAS FOCUSED ITS ATTENTION ON HOW TO INCREASED EXPORTS IN ORDER TO PAY FOR HIGHER IMPORT COSTS FOR FOOD, FERTILIZER, AND PETROLEUM. WHILE EXPORT EARNINGS HAVE INCREASED SHARPLY (ALMOST 50 PERCENT IN THE FIRST FIVE MONTHS OF IFY 1975, SEE NEW DELHI'S 13300) THE GOI IS AWARE THAT ALMOST ALL OF THIS INCREASE IS DUE TO PRICE INCREASES AND THE UNUSUAL TIGHT MARKET SITUATION IN SUGAR. IT IS, THEREFORE, GROPING AROUND FOR NEW METHODS OF STIMULATING EXPORTS, PARTICULARLY OF NON-TRADITIONAL

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PRODUCTS. THE GOI HAS MADE RELATIVELY LIMITED MARKET PRO-

MOTIONAL EFFORTS IN THE US AND ITS SHARE OF THE US IMPORT MARKET HAS DECREASED STEADILY. IT RECOGNIZES THAT THERE IS FREE ENTRY INTO THE US MARKET FOR THE TYPES OF EXPORT PRODUCTS THAT INDIA HAS AVAILABLE AND THAT THE PROBLEMS ARE ESSENTIALLY ONE OF CONSISTENT SUPPLY, QUALITY CONTROL AND ADAPTING TO THE NEEDS OF THE US MARKET. ITS EMPHASIS IS LIKELY TO BE ON LIGHT MANUFACTURED GOODS SUCH AS BICYCLES, HAND TOOLS, AND GARMENTS.

3. ON THE IMPORT SIDE OF THE EQUATION, CHATTOPADHYAYA IS LIKELY TO STRESS THAT THE INDIAN MARKET IS OPEN FOR US GOODS BUT THAT FREE FOREIGN EXCHANGE AVAILABILITY IS LIMITED. WE CONCUR THAT THE OLD "TILT" AGAINST US COMMERCIAL INTERESTS IS LARGELY A MATTER OF THE PAST AND THAT IT IS UP TO US EXPORTERS TO PROVIDE GOODS AT COMPETITIVE PRICES AND OFFER IMAGINATIVE PROPOSALS TO STIMULATE BILATERAL TRADE. THE MAJOR FACTOR INHIBITING THE EXPANSION OF US EXPORTS TO INDIA HAS BEEN THE UNAVAILABILITY OF COMPETITIVE LOW-TERM, LOW-INTEREST CREDIT TERMS. THE RECENT INTRODUCTION OF EXIM BANK FINANCING SHOULD ALLEVIATE THIS PROBLEM. THE SECRETARY MAY ALSO WISH TO REVIEW THE EMBASSY'S PROPOSAL FOR LINK KDEALS, NEW DELHI'S 12772.

5. WHILE THERE HAVE BEEN MINOR INDIAN TRADE POLICY COMPLAINTS IN SUCH FIELDS AS USG MICA STOCK PILE DISPOSALS AND SANITARY RESTRICTIONS ON SHRIMP, WE KNOW OF NO MAJOR ISSUE WHICH THE MINISTER IS LIKELY TO RAISE. WE HOPE THAT SECRETARY DENT WILL TAKE THIS OPPORTUNITY TO REITERATE OUR INTEREST IN EXPANDED TRADE AND INVESTMENT AND THE NEED FOR THE GOI TO FORMULATE CLEAR POLICIES WHICH WOULD MAKE THESE DEVELOPMENTS POSSIBLE. SUCH POLICIES AS DELAYS IN FOREIGN EXCHANGE REMITTANCES, "INDIANIZATION" OF EXISTING FOREIGN INVESTMENTS, ETC., COULD WELL BE REVISED AND BROUGHT UP TO DATE IN BOTH COUNTRIES' INTERESTS.
SCHNEIDER

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